

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 AGR-20 IO-13 AID-20 EB-11 NSC-10 RSC-01

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SUBJECT: INTER- REPUBLICAN AGREEMENT REACHED ON AGRICULTURAL
INVESTMENT

REF: AGRICULTURE REPORTS YG 3007 (3/9/73) AND YG 3010 (4/9/73);
BELGRADE A-801 (11/9/72)

1. BEGIN SUMMARY. FEDERAL EXECUTIVE COUNCIL (FEC) ANNOUNCED
INTER- REPUBLIC AGREEMENT ON AGRICULTURE JUNE 13. AGREEMENT
CALLS FOR INCREASED INVESTMENT IN SOCIAL SECTOR AGRICULTURE
THROUGH 1975, TAX INCENTIVES FOR SOCIAL SECTOR PRODUCER
EARNINGS REINVESTED IN AGRICULTURE, AND PROMISES NUMBER OF STEPS
TO IMPROVED PRIVATE SECTOR OUTPUT (CROP CREDITS, COOPERATIVES,
COOPERATION WITH SOCIAL SECTOR, TAX INCENTIVES). INCREASED INVEST-
MENT IN AGRICULTURE SHOULD EXPAND SALES OPPORTUNITIES FOR US
SUPPLIERS OF AGRICULTURAL EQUIPMENT AND PRODUCTS.

END SUMMARY.

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2. FEDERAL EXECUTIVE COUNCIL (FEC) ANNOUNCED JUNE 13 THAT LONG- DELAYED INTER- REPUBLICAN AGREEMENT ON AGRICULTURAL INVESTMENT HAD BEEN REACHED. IN STATEMENT ON OCCASION OF AGREEMENT, FEC PREMIER BIJEDIC ANNOUNCED THAT ADDITIONAL 465 MILLION ND (\$27.3 MILLION) WOULD BE INVESTED IN AGRICULTURAL SECTOR DURING 1973 WITH 750 MILLION ND (\$44.1 MILLION) TO BE INVESTED ANNUALLY IN 1974 AND 1975.

3. OF TOTAL PLANNED ANNUAL INVESTMENT, 300-350 MILLION ND (\$17.6-20.6 MILLION) WILL BE ACQUIRED FROM REPUBLIC/ PROVINCE RETAIL SALES TAXES. REMAINDER SLATED TO COME FROM DOMESTIC AND FOREIGN CREDITS. (ALL CONVERSIONS ARE AT \$1 - 17 ND RATE).

4. FOREGOING FUNDS WILL BE PASSED TO SOCIAL SECTOR PRODUCERS IN FORM OF PREMIUM PAYMENTS FOR WHEAT, SUNFLOWER, SUGAR BEET AND MILK PRODUCTION. FURTHER, ALL SOCIAL SECTOR PRODUCERS WILL BE EXEMPTED FROM TAX PAYMENTS ON EARNINGS REINVESTED IN AGRICULTURAL DEVELOPMENT.

5. AGREEMENT ALSO CALLS FOR UPGRADING PRIVATE AGRICULTURE WHICH INVOLVES LABOR FORCE OF 3.6 MILLION ACCOUNTING FOR 70 PERCENT OF TOTAL AGRICULTURAL PRODUCTION. REPUBLICS AND PROVINCES ARE AGREED THAT MEASURES SHOULD BE TAKEN TO UPGRADE FINANCIAL AND MATERIAL CONDITIONS FOR MODERNIZING AND BOOSTING PRODUCTION ON PRIVATE HOLDINGS. COOPERATIVES OF PRIVATE FARMERS WILL BE ENCOURAGED AS WELL AS INCREASED COOPERATION WITH SOCIAL SECTOR PRODUCERS. OBLIGATIONS (UNSPECIFIED) HAVE BEEN TAKEN TO ENSURE MORE PRIVATE SECTOR CROP CREDITS AND TO MODIFY IN SIMILAR MANNER TAX PROVISIONS APPLICABLE TO PRIVATE FARMERS.

6. COMMENT. DECISION TO STEP UP INVESTMENT IN BOTH SOCIAL AND PRIVATE SECTOR AGRICULTURE REFLECTS BELATED GOVERNMENT RECOGNITION THAT PAST OVERCONCENTRATION ON INDUSTRIAL INVESTMENT AND NEGLECT OF AGRICULTURAL INVESTMENT WAS HAMPERING OVERALL DEVELOPMENT AND SIGNIFICANT FACTOR IN CONTINUED INFLATIONARY PRESSURE. MEDIOCRE 1972 HARVEST WITH RESULTING SHORTAGES AND CORRESPONDING NEED FOR HEAVY FOOD IMPORTS, FOCUSED GOVERNMENT' S ATTENTION ON LOW PRODUCTIVITY OF OVERALL AGRICULTURAL SECTOR, ESPECIALLY PRIVATE SECTOR.

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7. WITH NEW GOVERNMENT EMPHASIS ON UPGRADING AGRICULTURE, THERE SHOULD BE INCREASED OPPORTUNITY FOR US SUPPLIERS OF AGRICULTURAL TECHNOLOGY, BREEDING LIVESTOCK, IMPLEMENTS, LIVESTOCK- FEEDING COMPONENTS, FOOD PROCESSING AND STORAGE EQUIPMENT AND OTHER AGRICULTURE- RELATED EQUIPMENT TO INCREASE THEIR SALES HERE. EMBASSY WILL EMPHASIZE SEARCH FOR OPPORTUNITIES FOR US SALES IN

AGRICULTURAL FIELD IN COMING MONTHS AS DETAILS AND IMPLEMENT-
ATION OF THIS AGREEMENT BECOMES CLEARER.
TOON

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